

Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 EB-07 TRSE-00 ABF-01 OMB-01 SS-15 L-03

H-02 NSC-05 CIAE-00 INR-07 NSAE-00 AGRE-00 CEA-01

PA-02 PRS-01 USIA-15 SEC-01 CIEP-02 FRB-01 /077 R

DRAFTED BY EUR/EE;LSANDERS:MHB

APPROVED BY EUR:EENGANDREWS

EB:TAFORPORD

EUR/P - MR. W. GEHRON (INFO)

TREASURY:JMURPHY

-----051841Z 081397 /53

R 051656Z JAN 77

FM SECSTATE WASHDC

TO AMEMBASSY BUDAPEST

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E.O. 11652: N/A

TAGS: EFIN, HU

SUBJECT: WORLD WAR I FLOUR DEBT - FOLLOW-UP

REF: BUDAPEST

1. QUOTED BELOW ARE TEXTS OF THE TREASURY'S NOTICE AND PRESS RELEASE CONCERNING GOLD PAYMENT OF ALL INDEBTEDNESS TO USG AND CONSEQUENT LIFTING OF CERTAIN JOHNSON ACT PROVISIONS. THE NOTICE, THE FIRST QUOTED TEXT, WAS PUBLISHED IN THE FEDERAL REGISTER ON DECEMBER 29. T-READS:

QUOTE REMOVAL OF JOHNSON ACT RESTRICTIONS FROM HUNGARY

NOTICE IS HEREBY GIVEN THAT THE GOVERNMENT OF THE HUNGARIAN PEOPLE'S REPUBLIC HAS RECENTLY MADE FULL PAYMENT OF ALL INDEBTEDNESS OWED BY IT TO THE UNITED
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STATES GOVERNMENT THROUGH DECEMBER 15, 1976, AND IS THEREFORE NOT NOW "IN DEFAULT IN THE PAYMENT OF ITS OBLIGATIONS, OR ANY PART THEREOF TO THE UNITED STATES", WITHIN THE MEANING OF THE JOHNSON ACT (PUB. L. 80-772, 62 STAT. 744, (18 U.S.C. 955)). THEREFORE, THE

RESTRICTIONS OF THE JOHNSON ACT, WHICH FORBIDS PERSONS

WITHIN THE UNITED STATES FROM ENGAGING IN SPECIFIED FINANCIAL TRANSACTIONS WITH CERTAIN FOREIGN GOVERNMENTS IN DEFAULT IN THE PAYMENT OF THEIR OBLIGATIONS TO THE UNITED STATES GOVERNMENT, DO NOT NOW APPLY TO THE HUNGARIAN PEOPLE'S REPUBLIC.

GERALD L. PARSKY
ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS END QUOTE

THE NOTICE IS DATED DECEMBER 23, 1976.

2. THE PRESS RELEASE, DATED DECEMBER 23 , 1976, READS
AS FOLLOWS:

QUOTE

GERALD L. PARSKY ASSISTANT SECRETARY OF THE
TREASURY FOR INTERNATIONAL AFFAIRS, ANNOUNCED TODAY
THAT THE GOVERNMENT OF THE HUNGARIAN PEOPLE'S REPUBLIC

RECENTLY MADE FULL PAYMENT, IN THE AMOUNT OF
\$4,327,271.44, OF ALL INDEBTEDNESS OWED BY IT TO THE
UNITED STATES THROUGH DECEMBER 15, 1976.

AS RESULT OF THIS PAYMENT, ASSISTANT SECRETARY
PARSKY ALSO ANNOUNCED THAT THE RESTRICTIONS OF THE
JOHNSON ACT DO NOT NOW APPLY TO HUNGARY. THE JOHNSON
ACT FORBIDS PERSONS WITHIN THE UNITED STATES FROM
TRADING IN THE SECURITIES OF OR MAKING LOANS TO ANY
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FOREIGN GOVERNMENT IN DEFAULT IN THE PAYMENT OF ITS
OBLIGATIONS TO THE UNITED STATES, UNLESS THE FOREIGN
GOVERNMENT IS A MEMBER OF BOTH THE INTERNATIONAL MONETARY
FUND AND THE WORLD BANK.

THE HUNGARIAN INDEPTEDNESS, THE LAST PAYMENT OF
WHICH IS DUE IN 1985, ARISES FROM A WORLD WAR I RELIEF
LOAN MADE BY THE UNITED STATES FOR THE PURCHASE OF
SURPLUS FLOUR. END QUOTE

3. MR. ANDREWS CALLED IN COUNSELOR KOVACS OF THE HUNGARIAN
EMBASSY IN WASHINGTON ON DECEMBER 29. AT THAT MEETING WE
HANDED OVER THE BONDS PAID IN FULL TOGETHER WITH
A DIPLOMATIC NOTE TRANSMITTING THE BONDS. WE ALSO GAVE
KOVACS COPIES OF THE TREASURY NOTICE AND PRESS RELEASE
AND CALLED HIS ATTENTION TO A BRIEF ARTICLE IN THE WALL
STREET JOURNAL OF DECEMBER 24 ENTITLED "HUNGARY MAKES
PAYMENT TO U.S.". COPIES OF THE WALL STREET JOURNAL
ARTICLE WERE GIVEN TO KOVACS. THE TEXT OF THE ARTICLE READ:

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QUOTE HUNGARY PAID THE U.S. TREASURY \$4.3 MILLION. THIS MEANS THE EAST EUROPEAN NATION ISN'T ANY LONGER BEHIND ON A WORLD WAR I DEBT. PARA AS A RESULT, THE TREASURY SAID IN ANNOUNCING THE PAYMENT, THE JOHNSON ACT RESTRICTIONS AGAINST HUNGARY HAVE BEEN LIFTED. UNQUOTE

4. THE SEC'S NOTICE, DATED DECEMBER 28, APPEARED IN THE FEDERAL REGISTER OF DECEMBER 30. THE TEXT, ENTITLED "TRADING IN SECURITIES ISSUED OR GUARANTEED BY THE GOVERNMENT OF HUNGARY", AND SUPTITLED "APPLICABILITY OF JOHNSON ACT" FOLLOWS: QUOTE ON JANUARY 22, 1974, THE COMMISSION PUBLISHED SECURITIES EXCHANGE ACT RELEASE NO. 10610, "TRADING IN SECURITIES ISSUED UNCLASSIFIED

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OR GUARANTEED BY THE GOVERNMENTS OF BULGARIA, HUNGARY AND ROMANIA." IN THAT RELEASE THE COMMISSION WITHDREW, EFFECTIVE JANUARY 28, 1974, ITS EARLIER REQUEST THAT BROKERS AND DEALERS REFRAIN FROM EFFECTING TRANSACTIONS IN SECURITIES ISSUED OR GUARANTEED BY THE GOVERNMENTS OF BULGARIA, HUNGARY AND ROMANIA. THE COMMISSION ADVISED, HOWEVER, THAT ITS ACTION WAS SUBJECT TO THE JOHNSON ACT (18 U.S.C. 955), WHICH PROHIBITS TRADING SECURITIES ISSUED BY FOREIGN GOVERNMENTS AFTER APRIL 13, 1934 IF SUCH FOREIGN GOVERNMENT IS IN DEFAULT OF OBLIGATIONS TO THE UNITED STATES AND IS NOT A MEMBER OF BOTH THE INTERNATIONAL MONETARY FUND AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. PARA THE COMMISSION NOTED IN SECURITIES EXCHANGE ACT RELEASE NO. 10610 THAT IT HAD BEEN ADVISED BY THE STAFF OF THE DEPARTMENT OF STATE THAT HUNGARY WAS IN DEFAULT IN PAYMENT OF ITS OBLIGATIONS TO THE UNITED STATES AND, NOT BEING A MEMBER OF BOTH THE INTERNATIONAL MONETARY FUND AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, APPEARED TO BE SUBJECT TO THE JOHNSON ACT PROHIBITIONS. THE COMMISSION HAS RECENTLY BEEN ADVISED BY THE ACTING GENERAL COUNSEL OF THE DEPARTMENT OF THE TREASURY THAT HUNGARY IS NOT NOW IN DEFAULT OF OBLIGATIONS TO THE UNITED STATES AND THAT, IN HIS OPINION, HUNGARY IS THEREFORE NOT NOW SUBJECT TO THE RESTRICTIONS OF THE JOHNSON ACT, ACCORDINGLY, THE COMMISSION BELIEVES IT IS NOW APPROPRIATE TO WITHDRAW ITS PREVIOUS CAUTIONARY NOTICE, IN SECURITIES EXCHANGE ACT RELEASE NO. 10610, THAT "THE JOHNSON ACT MAY RESTRICT TRADING IN BONDS ISSUED BY HUNGARY." BY THE COMMISSION GEORGE A. FITZSIMMONS, SECRETARY.

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Message Attributes

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Control Number: n/a
Copy: SINGLE
Sent Date: 05-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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ISecure: 1
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Review Exemptions: n/a
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Subject: WORLD WAR I FLOUR DEBT - FOLLOW-UP
TAGS: EFIN, EAGR, EPAP, HU, US, TRSY
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